

Washington State
Office of the Insurance Commissioner
Summer, 2004
Agents/Brokers E-Newsletter
Mike Kreidler, Commissioner

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(1) Agents & Brokers Advisory Committees

Dates are pending for the next gathering of the Life/Disability and Property/Casualty Advisory Committees.

The last meeting held on April 21 was a joint venture of both groups.

The current committee rosters follow – please note that Carole Stewart is no longer on the P & C Committee, and Sean Corry and Gregory Seifert have left the L & D Committee. We are currently working on securing replacement members for these committees.

Property and Casualty Committee Roster

Betty Baker, Bellevue
Robert D. Bush, CPCU, Redmond
P. Leon Giles, Seattle
David M. Hargreaves, CIC, Yakima
Kim W. Impehoven, Spokane
Kendel J. Lyman, Seattle
Ray Peretti, CIC, CPIA, Renton
Steve Sakahara, Seattle
Thomas Long, Jr., CPCU, ARM,
RPLU, Seattle

Life and Disability Committee Roster

Sil L. Arata, Jr., Vancouver
Brenda Brink, Yakima
Dean Byus II, Liberty Lake
Dell Durden, ILN, ChFC, Seattle
Anthony (Bud) Larimer, FMS, Seattle
Richard E. McKinnon, Kennewick
John Rathbun, Jr., Yelm
Ben W. Reppond, CLU, Bellevue
Patti Smith, Kirkland

(2) Upcoming Developments

- **State-based insurance regulation:** This story tops the summer list of *Upcoming Developments* for good reason – the ramifications of federal vs. state regulation are far-reaching. Washington State Insurance Commissioner Mike Kreidler, as part of his leadership position with the National Association of Insurance Commissioners (NAIC), has taken a key role in this effort to keep insurance regulation in the hands of the states.

In mid-June, the NAIC submitted a detailed framework document to House Financial Services Chairman Michael Oxley, outlining several ongoing and proposed steps that would create an effective, state-based national system of insurance regulation.

The Commissioner and other NAIC officials plan to work continuously with Congress and state legislators to expand state adoption of national regulatory standards that will provide a streamlined and seamless system of effective regulation across the country.

- **Numbers tell the story:** One good reason for keeping insurance regulation in the hands of the states can be told by the numbers. Here are the annual savings - what was requested vs. what was granted - to Washington consumers during the last three years due to the current rate filing review for the Top 20 insurers

AUTO:	2001 = \$22,025,000	HOMEOWNERS:	2001 = \$ 1,818,000
	2002 = \$16,935,000		2002 = \$22,188,000
	2003 = \$60,667,000		2003 = \$ 6,993,000

Grand Total: \$130,626,000

- **Sale involves Safeco:** Safeco Corporation wants to sell Safeco National Life Insurance Co. and certain other subsidiaries, Here's a link to the new release issued by the Commissioner.
<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=402>
.
- **Washington Works:** As mentioned in the Spring issue of this e-publication, some of you may be interested in following the progress and implementation of the Legislature's Personnel System Reform Act for all state agencies and employees. It aims to create a more flexible, responsive state government personnel system to address the challenges of changing business needs. You'll continue to hear more about this as we get closer to the 2005 implementation date. For more information now you can visit the Washington Works Web site at: www.washingtonworks.wa.gov .

(3) Current *Hot Hot Hot* Topics

Wildfire alert from Commissioner: On July 1 Insurance Commissioner Mike Kreidler issued a consumer alert dealing with wildfire dangers in Washington. This could be valuable information for your homeowner clients. Here's the news release:

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=409>

There's also information in the updated fact sheet:

http://www.insurance.wa.gov/factsheets/factsheet_detailprint.asp?FctShtRcdNum=48

Premera conversion request: Commissioner Mike Kreidler has until July 19 to render a decision in Premera's request to convert to a for-profit company. The adjudicative hearing was held in Tumwater from May 3-18. Meanwhile a similar hearing was conducted in Alaska in mid-June. Alaska's Insurance Director Linda Hall must make her ruling by July 25. Premera Blue Cross has 1.2 million members in Washington and 115,000 in Alaska.

http://www.insurance.wa.gov/special/premera/Premera_Index.asp

Medicare prescription drug discount card program: This new program has caused much confusion among consumers. If your client calls you for advice, what should you say? The best information is carried in a news release from the Office of the Insurance Commissioner Mike Kreidler. The Statewide Health Benefits Advisors (SHIBA) Helpline, a consumer advocacy arm of the agency, offers toll-free access to the experts in their area who can assist your clients in deciphering this complicated new benefit at 1-800-397-4422. Also, see SHIBA's schedule of more than 100 community forums.

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=405>

Insurance for returning veterans: There's an old saying about snuffing out a fire before the flames can spread and cause damage. In a similar move Insurance Commissioner Mike Kreidler is urging all automobile insurers to be sensitive to the situations involving service veterans returning from service overseas. In some scenarios their auto coverage has lapsed.

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=408>

A Technical Advisory also was issued on this topic.

<http://www.insurance.wa.gov/oicfiles/techadvisories/T04-01.pdf>

Extra Hot Topic – Supreme Court Ruling: In late June the U.S. Supreme Court ruled that some patients who claim their carrier wouldn't pay for needed medical care cannot sue in state court for damages. The Seattle P-I's Julie Davidow filed this story:

http://seattlepi.nwsourc.com/local/178926_hmo22.html

Here's the specific part of Washington's law that was called into question due to the ruling:

<http://www.leg.wa.gov/RCW/index.cfm?section=48.43.545&fuseaction=section>

The Washington state law took effect in 2000:

<http://www.insurance.wa.gov/consumers/health/pbor/pbor.asp>

Terrorism coverage: The Treasury Department recently announced it will extend beyond the end of 2004 a provision requiring insurance companies to offer coverage for losses due to terrorism acts. The Seattle P-I ran this story:

http://seattlepi.nwsourc.com/national/apus_story.asp?category=1110&slug=Terror%20Insurance&searchdiff=0&searchpagefrom=1

(4) Industry News of Interest

Hodgepodge and Potpourri:

- *Liability warning for Mariners' fans:* A Massachusetts Appeals court recently ruled that a spectator at a Boston Red Sox game in Fenway Park, who was seriously injured when a foul ball struck her in the face, cannot sue for damages. The panel ruled that the possibility of getting struck by a stray ball should have been obvious and the Red Sox had no duty to warn her of the potential danger.
- *Disability Insurance:* An informative article in the May 26 *Forbes* magazine discussed insurance coverage that provides income replacement in the event of disability. About one third of adult Americans will become disabled before retirement for a period of three months or more. The article talks about conditions, waiting periods, benefits, costs and after-tax dollar payments.
- *More on identity theft:* Still a timely topic for many, a special technology section in the April 26 *Wall Street Journal* includes a consumer advisory on identity theft. Discussed are the latest scams and steps consumers should take if they've become victims. An earlier (April 13) WSJ article on the same subject talked about "phishing" and the increasingly sophisticated tactics being used by identity thieves to fool victims into giving away personal info on the Internet. There were 380 new cases reported this past March, a 40 percent increase over the previous month. Like bacteria, it looks like a problem that's only going to get worse, so beware!
- *Home-based businesses:* Recent estimates indicate there are over 11 million home-based businesses in the country. However a recent poll by *Independent Insurance Agents and Brokers of America* found that only about 40 percent are insured. Many folks thought they were covered by their homeowner's policies, and 30 percent said their businesses were too small to be insured. In many cases homeowners policies do not cover such businesses, and one disaster can destroy a small business.
- *What will they think of next?* A May 5 *Wall Street Journal* story reports on an insurance product on the horizon that protects taxpayers from an unfavorable ruling from the IRS. The new policies will cover tax bills that result when the authorities challenge a particular deduction or benefit. Requests for such coverage are on the rise.
- *National Association of Insurance Commissioners:* The official NAIC Web site is always a reliable resource for insurance agents and brokers. Information is available on education and training, product regulation, meetings and events, market analysis and much more. Open 24 hours a day at <http://www.naic.org/>

OIC Consumer Advocacy Division (CAD)

Consumer protection is the top priority of the OIC. The CAD investigates consumer complaints, mediates consumer disagreements with insurance companies, and provides educational material and information that allows consumers to make informed choices about their insurance needs. The compliance analysts ensure that consumers' insurance rights have not been violated by an insurance company.

These dedicated folks have been busy helping consumers, as highlighted by these numbers for the last three months:

- 13,710 responses to consumer calls
- \$1,999,705 collected for consumers
- 1,560 new complaint files opened

OIC consumer advocates – ready to assist, support and inform the consumer – are just a toll-free call away: **1-800-562-6900**.

Automobile insurance:

- *Disposable auto:* A recent report indicates the percentage of cars considered “totaled” in an accident (not worth repairing) by insurance companies jumped from 8 percent to 16 percent between 1992 and 2003. The Highway Loss Data Institute says the average cost for collision repair in 2002 was \$3,519 – up 43 percent from 1992.
- *No need to duck:* Look for new auto safety rules requiring head protecting side airbags as standard features for all new U.S. vehicles. New tests and new safety measures are being pushed by the National Highway Traffic Safety Administration (NHTSA). Crashes between cars and SUV/trucks are prompting the changes.
- *More bag news:* The Los Angeles Times reports on the unpleasant surprises that await many car owners who have taken their vehicles in to be serviced only to be told that their air bags are either missing or defective. Air bag fraud and theft is reportedly a growing problem endangering the public while stealing millions of dollars from car owners and their insurers.
- *More from the NHTSA:* 350 people are killed each year in “non-crash” accidents – carbon-monoxide poisoning, youngsters being left in hot cars, and cars backing over the victims – are the three main causes.
- *How much did you quote?* Ever wonder how insurance companies determine your auto insurance rates? If so, check out this Fact Sheet from the OIC:
http://www.insurance.wa.gov/factsheets/factsheet_detail.asp?FctShtRcdNum=4

- *Warning for day care centers:* The National Transportation Safety Board is warning child care centers to conduct background checks of drivers who transport kids, and to stop using 15-passenger vans with high rollover risk when fully loaded.
- *Driving is dangerous:* A Centers for Disease Control and Prevention report states that driving is the most dangerous work-related activity in America. The numbers continue to increase each year and now account for 22 percent of all deaths. Other stats: nine out of ten fatalities involve men; and workers over age 55 are much more likely to be killed than younger drivers.
- *Big Brother will really be watching:* According to a recent story in the *New York Times*, those little illuminated markers in the road may soon house an imbedded stud containing a camera to track speeders or criminals in stolen vehicles. They could also detect tires with low tread.
- *Good to know:* Does the auto insurance policy you're selling include collision and liability coverage for a rental car? Also, most consumers don't know that if they rent a moving truck over a certain weight their personal auto insurance may not be valid.

Homeowners insurance:

- *Homeowner reminder:* You've probably heard this before, but it's still important advice, especially for new homeowners. Make an inventory of all belongings, with photos and a list of model numbers and the like, and also get a safe deposit box for important papers and items. A fast-spreading fire could leave no window of opportunity to retrieve such things.
- *They stole my jewels:* A story in the *Wall Street Journal* noted that most standard homeowner's insurance policies cover only \$1,000 of jewelry losses – only \$500 with renters' policies. Many engagement rings alone cost upwards of \$3,000.
- *More mold advice:* Help prevent mold-infested sick houses by looking for the warning signs, where mold is most likely to grow, and what can be done to prevent the growth. One way is to thoroughly clean all air conditioning systems, and avoid using throwaway or washable filters – instead use the more expensive "pleated" ones.
- *Renters beware:* More and more landlords are requiring renters to carry liability insurance. Many folks apparently and mistakenly think their landlord's policy will cover them in case of stolen or damaged items. Except in cases of proven negligence, this is normally not the case.

Life insurance:

- *New life insurance actuarial tables to expand to age 120:* An article in the *New York Times* includes comments from Jack Luff, an actuary with the Society of Actuaries, saying life insurance actuarial tables are being modified to reflect the reality that Americans are living longer than age 100 where current tables top out. New ones will go to age 120! Changes are intended to help very old seniors with certain types of policies avoid paying taxes, and the changes may result in lower premiums across the board.

Flood insurance:

- *Coverage through 2008:* On June 21 the House of Representatives voted in favor of a bill extending the National Flood Insurance Program until September 2008. The bill would require property owners who repeatedly file claims either to accept mitigation efforts, or pay significantly higher premiums. The bill has already been approved by the Senate.

Welcome to the Washington fold:

- *Esurance Property and Casualty Insurance Company, San Francisco:* Admitted to transact the business of vehicle and general casualty insurance.
- *CSI Life Insurance Company, Omaha, Nebraska:* Admitted to transact the business of life and disability insurance.
- *VantisLife Insurance Company, East Hartford, Connecticut:* Admitted to transact the business of life and disability insurance.

(5) Fingerprinting Services

Insurance license testing vendors at the following locations now offer the convenience of electronic fingerprinting (EF) at the same time they administer the licensing test:

- Lacey/Olympia
- Tukwila/Seattle
- Spokane
- Vancouver

The fingerprints will be printed on the FD-258 card required when you apply for licensure.

There are many advantages to electronic fingerprinting over wet-ink fingerprinting, as EF is:

- Convenient, as it is available in the Testing Center immediately after candidates pass the exam
- An accurate, efficient, clean process with no wet ink or residue
- A way of producing distinct, high-quality prints
- In accordance with existing FBI and IAFIS requirements for live-scan imaging and therefore has a low rejection rate.

Candidates who choose to be fingerprinted electronically:

- Must pay a \$15 fee at the assessment center
- Payment must be in the form of a certified check, cashier's check, or money order made payable to "Promissor"
- Cash, personal checks and credit cards will NOT be accepted at the assessment center
- Fee must be paid separately from the examination fee
- Single payments that cover more than one fee or one candidate will not be accepted.

(6) Fraud News

- *Anti-fraud legislation:* Anti-fraud legislation which passed into law in March 2004 took effect on Thursday, June 10. The *Insurance Journal* has the details: <http://www.insurancejournal.com/news/west/2004/06/09/43006.htm>
- *Rx card fraud:* Discounted prescription drug card scams are still in the news, prompting a news release and support information from the OIC, including a link to a handout published by the SHIBA HelpLine, a service of the OIC, entitled "Considering Discount Plans."
<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=405>
- *Fraud costs on the rise:* According to the Coalition Against Insurance Fraud, insurance fraud nationally costs the industry about \$80 billion annually. Computer tools are being used to help identify claims patterns that may indicate fraud. Convictions for insurance fraud rose 31 percent from 2001 to 2002. Fraud bureaus are being used to help catch the bad guys – in 2002 they referred 14 percent more cases for prosecution (nearly 99,000) and 18 percent more for investigation (33,000).
- Information on the Commissioner's current anti-fraud program can be found at <http://www.insurance.wa.gov/industry/fraud.asp>

(7) Licensing

The OIC's new *Agent and Broker Licensing Information Web Program* is up, running, and proving to be a fantastic success! If you haven't tried it yet, what are you waiting for!

A total of 85,000 insurance agents and brokers doing business in Washington can now access all of their licensing details on-line without having to go through someone in the Licensing unit. Details are available on individual and business entity agents, brokers, general agents and adjusters.

In less than three months, the site has generated close to 19,000 "visitors" who in turn have accessed almost 210,000 different "views" or specific pages of information. All this via the computer! Feedback to the Licensing folks has been extremely positive.

A news release was sent out May 4:

<http://www.insurance.wa.gov/news/dynamic/newsreleasedetail.asp?rcdNum=406>

For direct access to the new Web site: <https://fortress.wa.gov/oic/laa/LAAMain.aspx>.

For all other licensing information visit:

<http://www.insurance.wa.gov/industry/licensing/licensing.asp>

(8) Public Disclosure Information

Washington State Insurance Commissioner Mike Kreidler has adopted the 2001 Commissioner's Standard Ordinary (CSO) Mortality Tables which were previously adopted by the NAIC in 2002.

The regulations were filed for permanent adoption on Feb. 2, 2004, and became effective on March 4, 2004.

The information is listed under WAC 284-74-400 thru 284-74-460.

An insurer must use the 2001 CSO mortality table as the minimum standard for policies issued on or after Jan. 1, 2009.

Links are provided on the electronic version of this newsletter for the following:

- Public Disclosure Request Procedures
- Insurance Company Filings Internet Retrieval
- Service of Process Procedure
- Life Expectancy Table

(9) Feature Articles

(1) Attention BIG I (Independent Insurance Agents and Brokers of Washington) and PIA (Professional Insurance Agents) members:

If your book of business includes contractors, please take a few minutes to complete the *Insurance Commissioner's Contractors' Liability Insurance Market Survey*.

This survey is part of a larger study by Insurance Commissioner Mike Kreidler concerning the health of the contractor's market. Ultimately, the project's outcome should help agents and brokers find markets.

The State Legislature, in support of the representatives of insurers and providers, instructed the Commissioner to take this action through a budget proviso.

All responses will be confidential. In order to provide you with current information, the results will be published by the Insurance Commissioner soon after the data is collected.

To complete the survey, please contact your respective organization – The Big I or PIA – or e-mail Bill Wilson in the Commissioner's office at Billw@oic.wa.gov.

(2) 2003 operating results:

An article in *Insurance Journal* magazine carried a report from A.M. Best on the property-casualty industry's operating results for 2003. If P & C is your market, then this story might make for informative reading:

<http://www.insurancejournal.com/news/national/2004/04/12/41133.htm>

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